

THE STRATEGIC SIGNIFICANCE OF DISTRIBUTION EXPANSION FROM THE PERSPECTIVE OF THE MICHIGAN HUMAN RESOURCE MODEL: A CASE STUDY OF CV. ERFOLG SHOES INDONESIA (ESI)

Ir. Syamsul Maarif, Dr. Eva Desembrianita, Dra., MM.
Program Studi Magister Manajemen, Universitas Muhammadiyah Gresik
E-mail:
caksul@gmail.com
ueva142@gmail.com

Abstract

This study evaluates the Michigan Model of Human Resource Management (HRM) within an Indonesian footwear SME, CV. Erfolg Shoes Indonesia (ESI), during its distribution network expansion. Using a qualitative single-case study, this research analyzes the alignment between the firm's HR practices (selection, appraisal, rewards, development) and its distribution strategy. Findings reveal a systemic misalignment, creating a dysfunctional cycle where flawed selection is compounded by irrelevant performance metrics, ineffective training, and inequitable rewards. The study questions the applicability of "hard" HRM models in resource-constrained SMEs and recommends a more integrated, technology-enabled, and network-centric approach to managing both internal and external human capital.

1. Introduction

1.1 Context and Problem Statement

The Indonesian footwear industry is the world's fourth-largest producer, driven by domestic and export demand (Rachmawan et al., 2024; Prihatini, 2019). For Small and Medium Enterprises (SMEs) in this sector, an effective distribution network is crucial for success (Laksono & Magnadi, 2019). However, SMEs often struggle to align their Human Resource Management (HRM) practices with strategic goals, creating a gap between planning and performance (Krishnan & Scullion, 2017).

1.2 Introducing the Case and Framework

This research uses a single-case study of CV. Erfolg Shoes Indonesia (ESI), a growing footwear SME. To analyze its challenges, the study employs the Michigan Model of HRM, which emphasizes the tight alignment of HR functions with business strategy (Devanna et al., 1984; Siswanto, 2010).

1.3 Research Objectives and Contribution

The objectives are to analyze the Michigan Model's implementation at ESI, identify misalignments with its distribution strategy, and assess the model's utility in an SME context. This paper

contributes empirical evidence on the challenges of applying a classic "hard" HRM model in a non-Western SME.

2. Theoretical Framework and Literature Review

2.1 Strategic HRM in Small and Medium Enterprises (SMEs)

SHRM in SMEs is constrained by the "liability of smallness," referring to limited resources like finances and specialized HR personnel (Krishnan & Scullion, 2017). This often leads to an administrative rather than strategic HR focus (Sels et al., 2006). While informality can offer flexibility, imposing a rigid HRM model without adequate resources can create a dysfunctional gap between policy and practice.

2.2 The Michigan Model of HRM: A Critical Examination

The Michigan Model posits that HR systems must align with business strategy through four components: selection, performance appraisal, rewards, and development (Devanna et al., 1984). It is known as a "hard" approach, viewing employees as resources to be managed for organizational performance (Legge, 1995). This contrasts with "soft" models that prioritize employee welfare (Beer et al., 2015) and has been criticized for its rigidity in dynamic environments (Gado, 2018).

2.3 The Strategic Nexus of HRM and Supply Chain Management

Supply chain efficiency is fundamentally dependent on human performance (Gunawan et al., 2024). Effective HRM practices like training, performance management, and compensation directly impact distribution performance (Theriou & Chatzoglou, 2008; Gupta & Shaw, 2014). This extends to distributor partners, whose own HR practices are critical (Parmigiani & Rivera-Santos, 2011). An HRM model focused solely on internal employees is incomplete for a distribution-centric strategy (Purwanto et al., 2020).

2.4 Contextualizing HRM in the Global Footwear Industry

Footwear manufacturing remains labor-intensive, making people management crucial for quality and productivity (Chowdhury et al., 2016). The industry is also digitalizing, requiring continuous upskilling (Prihatini, 2019). Effective talent management, including fair appraisal and compensation, is vital for retaining skilled workers (Setiawan & Sayuti, 2017).

3. Research Method

To ensure a rigorous and credible investigation into the complexities of strategic HRM at CV. ESI, this study employed a qualitative methodology. This approach was chosen for its capacity to yield a deep, nuanced, and contextually rich understanding of the interactions between management strategies and operational realities—phenomena not easily captured by quantitative measures alone.

3.1 Research Design

The study was structured as a qualitative, single-case study. This design is particularly well-suited for exploratory research that aims to understand a contemporary phenomenon within its real-life context, especially when the boundaries between the phenomenon and its context are not clearly evident.¹ Following the principles articulated by Yin (2014), the single-case design was selected to conduct a holistic and intensive analysis of the strategic alignment (or lack thereof) between HRM practices and distribution strategy at CV. ESI. This approach enabled a detailed examination of the underlying mechanisms, challenges, and stakeholder perspectives that shape the company's strategic HRM implementation.

3.2 Data Collection

To construct a comprehensive and multi-faceted understanding of the case, a combination of primary and secondary data sources was utilized, facilitating a robust triangulation of evidence.

- **Primary Data:** The primary data were gathered through two main techniques. First, semi-structured, in-depth interviews were conducted with three purposively selected key informants. Each interview session, lasting between 60 and 90 minutes, was designed to explore the informant's experiences, perspectives, and insights regarding the implementation of the four components of the Michigan Model within the context of distribution management.¹ Second, non-participant observation was carried out at the company's headquarters and at select distributor locations. This allowed for the direct observation of operational processes, team interactions, and the prevailing work culture, providing valuable contextual data to supplement and verify the information gathered during interviews.
- **Secondary Data:** Secondary data were collected through an extensive review of internal company documents. These included official company policies, historical distribution performance reports, Standard Operating Procedures (SOPs) for distributor recruitment and evaluation, and internal training materials. This documentary analysis served to provide a formal context, verify timelines, and corroborate the perspectives shared by the informants.

3.3 Informant Profiles

The selection of informants was conducted strategically to ensure a triangulated view of the research problem from strategic, managerial, and operational levels. This purposive sampling method was designed to capture a balanced and valid representation of the organizational reality, from high-level strategic intent to on-the-ground implementation and impact. The profiles of the key informants are summarized in Table 1. The significant experience of each informant ensures that the data collected are grounded in deep, historical knowledge of the company and its market, rather than superficial impressions. This structure was intentionally designed to uncover potential disconnects between strategic vision (DIR), managerial execution (MKT), and field-level reality (DIST).

Informant Code	Position	Experience at ESI	Primary Perspective
DIR	Chief Director	>10 Years	Corporate Vision, Long-Term Strategy, and Policy
MKT	Marketing & Distribution Manager	>7 Years	Operational Implementation and Field-Level Needs
DIST	Senior Distributor	>5 Years	Market Realities and the Impact of Company Policy

Table 1: Profile of Research Informants

3.4 Data Analysis

The data were analyzed using a thematic analysis approach, guided by the interactive model proposed by Miles and Huberman (2014). This model involves three concurrent flows of activity: data condensation, data display, and conclusion drawing/verification. The process began with the full transcription of all interviews. The transcripts and observational notes were then subjected to multiple readings to achieve deep familiarization. Subsequently, the data were systematically coded and condensed, with themes and patterns being identified. The analytical framework was deductively structured around the four core components of the Michigan Model (selection, appraisal, development, compensation), allowing for a focused analysis of the strategic alignment within each function. The perspectives of the three informants were then systematically compared and contrasted within each theme to identify areas of convergence, divergence, and systemic patterns.

3.5 Data Validity and Reliability

To enhance the trustworthiness and credibility of the research findings, two primary validation techniques were employed.

- **Source Triangulation:** This technique involved the systematic cross-verification of information obtained from the three distinct informant perspectives. By comparing the strategic vision articulated by the Director with the operational experiences of the Manager

and the market realities faced by the Distributor, a more robust and validated understanding of the issues was constructed, significantly strengthening the study's internal validity.

- **Member Checking:** After the initial analysis and interpretation of the data, the preliminary findings were presented back to the research participants. This process allowed the informants to review the interpretations, correct any inaccuracies, and confirm that their perspectives had been represented faithfully, thereby minimizing researcher bias and enhancing the accuracy of the final report.

4. Findings: The Michigan Model in Practice at CV. Erfolg Shoes Indonesia

The findings reveal a systemic gap between the intended HR strategy and its operational reality. Table 2 provides a consolidated overview of this systemic misalignment, mapping the observed practices at ESI against the ideal strategic requirements for each component of the Michigan Model. The subsequent sections elaborate on these findings with supporting evidence from the data.

Michigan Model Component	Observed Practice at ESI (Empirical Finding)	Ideal Strategic Practice for Distribution	Identified Strategic Gap & Its Consequences
Selection	Based on general administrative competencies and formal qualifications; limited involvement of the distribution team.	Based on field simulations, distribution case studies, and specific operational needs assessment.	Practical Competency Gap: New hires are often unprepared for the practical challenges of the field, leading to long adaptation periods and reduced initial effectiveness.
Performance Appraisal	Focus on administrative indicators (e.g., attendance, monthly report submission); minimal input from distributor partners.	Focus on strategic distribution KPIs (e.g., stock accuracy, delivery speed, partner satisfaction, market development).	Misaligned Incentives: The system measures and rewards compliance rather than strategic contribution, failing to motivate behaviors that drive

			distribution success.
Development	Training programs are theoretical, generic (one-size-fits-all), and their impact on performance is not systematically measured.	Training is based on real-world field cases, tailored to local market needs, and its impact is measured against distribution KPIs.	Skill Irrelevance Gap: Employees possess theoretical knowledge but lack the practical, adaptive skills required to manage dynamic and diverse distribution challenges effectively.
Compensation	The system is rigid, non-transparent, and not directly linked to specific distribution performance metrics or regional challenges.	The system is flexible, transparent, and directly links bonuses and incentives to the achievement of specific distribution targets and KPIs.	Motivational Deficit: The incentive structure fails to motivate performance aligned with strategic expansion goals and does not adequately reward exceptional contributions or relationship-building efforts.

Table 2: Analysis of Strategic Misalignment in HRM Practices at CV. ESI based on the Michigan Model

4.1 Selection: A Disconnect from Field Realities

The selection process at CV. ESI is formally structured, incorporating administrative screening, technical tests, and interviews designed to identify candidates with foundational distribution knowledge and interpersonal skills.¹ However, a consensus emerged among all informants that the process is critically flawed by its failure to assess practical, field-relevant capabilities. The system prioritizes candidates who can navigate the administrative requirements of the role over those who can effectively manage the complex realities of the distribution network.

This disconnect was articulated clearly by the Marketing and Distribution Manager (MKT), who stated, "The selection process is overly focused on administrative aspects without adequately considering the practical needs in distribution."¹ This administrative bias results in the hiring of personnel who, while qualified on paper, often require extensive on-the-job training and a prolonged adaptation period before they can contribute effectively. The primary recommendation from all informants was the integration of field-based simulations or case studies into the selection process to provide a more comprehensive and realistic assessment of a candidate's readiness for the role.

4.2 Performance Appraisal: Administrative Compliance over Operational Contribution

ESI utilizes a performance appraisal system as a basis for promotion and to identify development needs. However, the system's effectiveness is severely hampered by its focus on easily quantifiable administrative metrics rather than on substantive contributions to the success of the distribution network.¹ Indicators such as attendance records and the timely submission of reports are given disproportionate weight, while critical performance drivers like relationship management with distributors, problem-solving in the field, and market intelligence gathering are largely overlooked.

The Senior Distributor (DIST) expressed frustration with this formalistic approach, noting, "Appraisals are based more on formal aspects... without evaluating the practical abilities that are actually required in the field."¹ The system's deficiencies are compounded by a lack of real-time performance data and the minimal involvement of distributors in the evaluation process. This exclusion of a key stakeholder perspective means that the appraisals often fail to reflect the employee's true performance and impact. To rectify this, informants recommended redesigning the appraisal system to include practical, field-based KPIs and to formally incorporate feedback from distributor partners to create a more holistic and accurate evaluation.

4.3 Development: Generic Training for Specific Problems

Training programs are described as overly theoretical and disconnected from daily operational challenges. There is minimal input from the distribution team, resulting in a significant relevance gap.

Michigan Model Component	Stated Strategic Intent/Practice	Observed Operational Challenges & Misalignment
Selection	Competency-based selection for technical and interpersonal skills.	Fails to assess practical field skills; new hires require long adaptation; criteria

		disconnected from operational needs.
Performance Appraisal	Evaluation based on competencies to inform development and promotions.	Focuses on administrative metrics over operational KPIs; lacks real-time data; subjective and fails to identify true performance.
Rewards	Performance-based incentives (financial and non-financial) to motivate desired behaviors.	Inflexible system; does not account for regional difficulty; ignores non-quantitative contributions; lacks transparency and perceived as unfair.
Development	Training programs to enhance skills and improve distribution performance.	Overly theoretical and generic; disconnected from practical field challenges; lacks input from operational teams and distributors.

Table 3: Summary of HRM Practices and Challenges at CV. ESI

4.4 Compensation: A Rigid System that Fails to Motivate

CV. ESI's compensation system is designed to be performance-based, utilizing a mix of financial and non-financial incentives to motivate employees. In practice, however, the system is perceived as inflexible, non-transparent, and inadequately linked to the strategic goals of distribution expansion.¹ A major challenge is its failure to account for the significant variations in market difficulty and workload across different distribution regions. Employees in more challenging territories feel that their additional effort is not recognized or rewarded.

Furthermore, the system is heavily biased towards quantitative outputs, neglecting to value crucial non-quantitative contributions such as building strong, collaborative relationships with distributor partners—a factor identified as critical for long-term success. The lack of transparency in how incentives are calculated further erodes motivation and trust. The key recommendation is to overhaul the compensation structure to create a more flexible and transparent system that incorporates regional difficulty modifiers and explicitly rewards both quantitative performance

and qualitative contributions to partnership-building.

5. Discussion: Unpacking the Systemic Misalignment

5.1 The Vicious Cycle of Misaligned HRM

The issues across the four HR components are interconnected, creating a self-reinforcing dysfunctional cycle (Devanna et al., 1984). Flawed selection is compounded by an appraisal system that measures the wrong things, leading to irrelevant training and a reward system that fails to motivate desired behaviors.

5.2 Interpreting ESI's Challenges through the SME and Industry Lens

ESI's struggles exemplify the "SME Paradox of Formality," where a formal HR structure exists on paper but is operationally hollow, hindering performance (Krishnan & Scullion, 2017). In the labor-intensive footwear industry, this flawed cycle undermines motivation and increases costly employee turnover (Chowdhury et al., 2016; Setiawan & Sayuti, 2017).

5.3 Beyond the Firm's Borders: The Unmanaged Distributor Network

A key limitation of the Michigan Model here is its internal focus. It provides no framework for managing the human element of the external distributor network, which represents a vital, unmanaged HR asset (Arifin et al., 2021). This strategic failure weakens the entire supply chain (Parmigiani & Rivera-Santos, 2011).

6. Conclusion and Implications

6.1 Summary of Findings

The study found a systemic misalignment between ESI's HRM system and its distribution strategy, manifesting as a vicious cycle across selection, appraisal, rewards, and development. This dysfunctional system hinders operational performance and strategic growth.

6.2 Theoretical Implications

This research provides a critical assessment of the Michigan Model in a non-Western SME, highlighting the limitations of "hard" HRM models in such contexts (Kaufman, 2020). It calls for an extension of SHRM theory to include the management of human capital in external partnerships, which is crucial for supply-chain-centric businesses.

6.3 Practical Implications for Management

Key recommendations for SMEs include fostering deep integration between HR and Operations, embracing technology for data-driven performance management (Gunasekaran et al., 2019), co-creating HR solutions with the distributor network, and adopting a hybrid HRM model that blends "hard" and "soft" approaches (Beer et al., 2015).

Identified Problem Area	Strategic Recommendation	Desired Outcome
Selection process is disconnected from field realities.	Involve operational managers and senior distributors in interviews; integrate practical, simulation-based assessments.	Hires with better practical skills and situational awareness; reduced adaptation time and improved initial performance.
Performance data lacks operational relevance and is subjective.	Integrate real-time logistics data into performance dashboards via an ERP/SCM system; define KPIs collaboratively.	Objective, data-driven appraisals; early identification of bottlenecks; fair and transparent basis for rewards.
Training programs are generic and theoretical.	Co-design training curriculum with the distribution team and distributors, focusing on case studies and field simulations.	Relevant, practical skill development; improved problem-solving capabilities; higher return on training investment.
Reward system is perceived as inflexible and inequitable.	Develop a tiered incentive structure that accounts for regional difficulty; introduce rewards for non-quantitative contributions.	Increased motivation and perception of fairness; stronger employee retention; incentivization of relationship-building.

Table 4: Strategic Recommendations for Aligning HRM with Distribution in SMEs

6.4 Limitations and Avenues for Future Research

The single-case study design limits generalizability (Yin, 2014). Future research should validate these findings with larger samples and conduct comparative studies on different HRM models in SMEs. Further work is also needed on integrated HRM frameworks for managing internal and external partners in supply chains.

References

Arifin, R., Amirullah, A., Khalikussabir, K., & Widodo, B. H. (2021). The Role of Human

Resource Management in Improving Distribution Network Performance: Evidence from Indonesian SMEs. *The Journal of Asian Finance, Economics and Business*, 8(2), 1105–1116.

Beer, M., Boselie, P., & Brewster, C. (2015). Back to the Future: Implications for the Field of HRM of the Multistakeholder Perspective Proposed 30 Years Ago. *Human Resource Management*, 54(3), 427–438.

Chowdhury, M., Azam, M., & Islam, S. (2016). Strategic human resource management practices in footwear industry: An empirical study in Bangladesh. *Journal of Business Studies*, 37.

Devanna, M. A., Fombrun, C. J., & Tichy, N. M. (1984). A framework for strategic human resource management. In C. J. Fombrun, N. M. Tichy, & M. A. Devanna (Eds.), *Strategic human resource management* (pp. 33–51). Wiley.

Gado, N. (2018). The effect of soft human resource management on employee performance. *International Journal of Scientific & Engineering Research*, 9(5), 123–134.

Gunasekaran, A., Subramanian, N., & Ngai, W. T. (2019). Quality management in the 21st century enterprises: Research pathway towards Industry 4.0. *International Journal of Production Economics*, 207, 125–135.

Gunawan, K. Y., Siagian, H., & Tarigan, Z. J. H. (2024). The impact of supply chain integration on operational performance with supply chain capability. *Uncertain Supply Chain Management*, 12(2), 977–988.

Gupta, N., & Shaw, J. D. (2014). Employee compensation: The neglected area of HRM research. *Human Resource Management Review*, 24(1), 1–4.

Kaufman, B. E. (2020). The real problem: The deadly combination of psychologisation, scientism, and normative promotionism takes strategic human resource management down a 30-year dead end. *Human Resource Management Journal*, 30(1), 35–53.

Krishnan, T. N., & Scullion, H. (2017). Talent management and dynamic capabilities in small and medium enterprises: A case study. *Human Resource Management*, 56(1), 143–155.

Laksono, E. B., & Magnadi, R. H. (2019). Analisis Pengaruh Promosi, Inovasi Produk, Dan Saluran Distribusi Terhadap Citra Merek Sepatu Olahraga Adidas Di Kota Semarang. *Diponegoro Journal of Management*, 8(4), 60–73.

Legge, K. (1995). *Human Resource Management: Rhetorics and Realities*. Macmillan Business.

Parmigiani, A., & Rivera-Santos, M. (2011). Clearing a path through the forest: A meta-review of interorganizational relationships. *Journal of Management*, 37(4), 1108–1136.

Prihatini, J. (2019). Tantangan Industri Kecil Sepatu Sandal Dalam Menghadapi Revolusi Industri 4.0 Untuk Meningkatkan Pendapatan Pengrajin. *Majalah Ilmiah Bijak*, 16(1), 66–74.

Purwanto, A., Asbari, M., Santoso, P. B., Paramarta, V., & Sunarsi, D. (2020). Strategic Management of Distribution Channels and Supply Chain Performance: A Case Study in an SME. *International Journal of Supply Chain Management*, 9(3), 1285–1294.

Rachmawan, R. I., Hanafuki, A., Azeryan, V., Putri, L. A., & Alison, A. (2024). Analisis Strategi pada Usaha Sepatu Kanvas Abyakta Shoerabaya Store dengan Menggunakan Metode SWOT. *Senastitan IV*, 1–6.

Sels, L., De Winne, S., Maes, J., Delmotte, J., Faems, D., & Forrier, A. (2006). Unravelling the HRM–Performance link: Value-creating and cost-increasing effects of small business HRM. *Journal of Management Studies*, 43(2), 319–342.

Setiawan, H., & Sayuti, A. J. (2017). Pengaruh Manajemen Sumber Daya Manusia dan Budaya Organisasi terhadap Kinerja Karyawan. *JRMB (Jurnal Riset Manajemen dan Bisnis)*, 2(3), 405–412.

Siswanto, S. (2010). Manajemen sumber daya manusia (msdm), pendekatan normatif versus kontekstual. *Jurnal Administrasi Bisnis*, 6(2), 121–133.

Theriou, G. N., & Chatzoglou, P. D. (2008). The impact of human resource management practices on the performance of Greek firms. *International Journal of Human Resource Management*, 19(12), 2262–2287.

Yin, R. K. (2014). *Case Study Research: Design and Methods*. Sage Publications.